Qualification accredited

CAMBRIDGE OCR

Sample assessment material

A Level

Business

Cambridge OCR Level 3 Advanced GCE in Business

H436/02

Version 1.0 | January 2026

ocr.org.uk/business

Introduction

This sample assessment material (SAM) is an example exam paper published alongside the specification. It's designed to show the style and structure you can expect from our question papers.

As the qualification develops, we may update the question paper template. To make sure you're working with the most up-to-date information, we recommend using the latest set of past papers where possible.

To help you get the most from this SAM, we also provide two supporting resources:

- **Assessment story** – this explains the research behind the qualification and how feedback from teachers, students and schools has shaped our assessment approach.
- **Annotated SAMs** – these guide you through the key features of the assessment and highlight the different types of questions students will encounter in the exam.

Summary of updates

Section	Change	Version	Date
Covers	Creation of SAM wrapper pages	1.0	January 2026

© Cambridge OCR 2026

CAMBRIDGE OCR

Accredited

Sample Question Paper

A Level Business

H436/02 Operations, finance and external influences

Time allowed: 2 hours

You must have:
- the Formula Booklet

You can use:
- a scientific or graphical calculator

Please write clearly in black ink. **Do not write in the barcodes.**

Centre number | | | | | | Candidate number | | | | |

First name(s)

Last name

INSTRUCTIONS
- Use black ink.
- Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.
- Answer **all** the questions.

INFORMATION
- The total mark for this paper is **90**.
- The marks for each question are shown in brackets **[ ]**.
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has **20** pages.

ADVICE
- Read each question carefully before you start your answer.

© Cambridge OCR 2026 [xxx/xxxx/x]
DC (CE/CB) xxxxxx/x
Cambridge OCR is an exempt Charity

Section A

Put a tick (✓) in the box next to the **one** correct answer for each question.

1 What is likely to decrease supply in the salad vegetable market?

(a) Good weather during the growing season ☐

(b) Improvements in farming productivity ☐

(c) Increases in the cost of harvesting ☐

(d) Subsidies for food producers ☐

[1]

2 A business is **most** likely to hold high levels of inventory if:

(a) demand for its products is stable ☐

(b) storage and security costs are high ☐

(c) suppliers are unreliable ☐

(d) the lead time is short ☐

[1]

3 Transport infrastructure refers to:

(a) 3D printing, augmented reality and robotics ☐

(b) airports, motorways and railway lines ☐

(c) distribution networks, e-commerce and roads ☐

(d) lorries, ships and trains ☐

[1]

© Cambridge OCR 2026

4 Variance analysis data is shown below.

Type of budget	Planned	Actual
Total cost	£6m	£5.5m
Total revenue	£10m	£9.0m

According to the data, which of the following is true?

(a) Both budgets have favourable variances ☐

(b) Fewer goods were sold than expected ☐

(c) Profit was lower than expected ☐

(d) The total cost budget has an adverse variance ☐

[1]

5 One way a bakery could add value to its bread range is by:

(a) adding healthy oils and seeds ☐

(b) charging higher prices for each loaf ☐

(c) installing an additional production line ☐

(d) offering two loaves for the price of one ☐

[1]

6 Taylor & Co Ltd's cash-flow forecast for the next three months of trading is shown below.

	Month 1	Month 2	Month 3
Cash inflows	£200,000	£230,000	£220,000
Cash outflows	£210,000	£220,000	£200,000
Net cash inflow	(£10,000)	£10,000	£20,000
Opening balance	(£50,000)	(£60,000)	(£50,000)
Closing balance	(£60,000)	(£50,000)	(£30,000)

According to the cash-flow forecast, which of the following is true?

(a) The company has £30,000 in the bank at the end of Month 3 ☐

(b) The company will make a profit of £20,000 ☐

(c) The company will **not** need to use an overdraft facility ☐

(d) The company's net cash inflow improves each month ☐

[1]

7 An increase in the number of firms in a market is **most** likely to lead to:

(a) fewer customers ☐

(b) higher prices ☐

(c) increased competition ☐

(d) reduced productivity ☐

[1]

8 A cricket club hosts two matches a month. The capacity of the cricket ground is 3000 spectators per match. In April this year, 1800 spectators attended Match 1 and 2200 spectators attended Match 2.

The average capacity utilisation of the cricket ground over these two matches was approximately:

(a) 33% ☐

(b) 37% ☐

(c) 67% ☐

(d) 73% ☐

[1]

9 Which would be found on an income statement?

(a) Cost of sales, profit for the year, taxation ☐

(b) Dividends, equity, gross profit ☐

(c) Expenses, net assets, operating profit ☐

(d) Reserves, retained profit, revenue ☐

[1]

10 Which is an example of a technological influence on a business?

(a) A pressure group campaigning for greater use of technology in schools ☐

(b) An increase in government subsidies for technology companies ☐

(c) Recent innovations in wearable technologies ☐

(d) The increasing popularity of mobile technologies ☐

[1]

© Cambridge OCR 2026

Question 11 starts on page 6

Section B

Read the case study and answer the questions.

Merlin Entertainments Limited

Merlin Entertainments owns and operates 141 tourist attractions across 23 countries. In the UK these include Legoland, Madame Tussauds, Cadbury World, Sea Life aquariums and the London Eye, as well as several branded theme parks including Alton Towers, Chessington World of Adventures and Thorpe Park. Merlin Entertainments focuses on providing a high-quality experience to its guests. Delivering uplifting experiences with exceptional service is a core element of its purpose.

In 2022 Merlin Entertainments began outsourcing some of its food and drink provision. This included outsourcing the entire supply of food and drink at all of its UK theme parks. Aramark is Merlin Entertainments' chosen specialist provider in the UK. Merlin Entertainments no longer receives revenue directly from visitor spending on food and drink. Instead, it receives payments from Aramark under the terms of the contract to supply.

Merlin Entertainments made a loss of £17m in 2023, compared to a profit of £89m in 2022. Nevertheless, the company's annual statement reported increased visitor numbers (see **Fig. 2** for Merlin Entertainment's infographic). The company also reported its highest ever revenues (see **Fig. 3** for Merlin Entertainment's infographic).

Fig. 2 Merlin Entertainments Limited visitor numbers 2021 – 2023

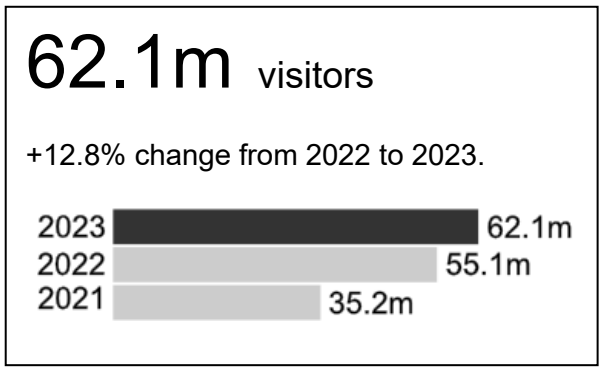
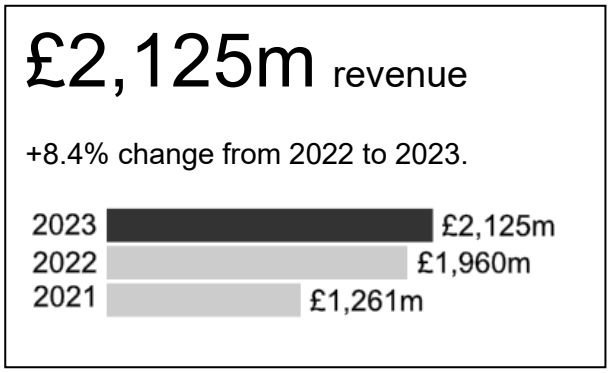


Fig. 3 Merlin Entertainments Limited revenue 2021 – 2023



The company attributes its increase in visitor numbers to robust demand for 'enjoyable experiences' (especially in the UK, Asia Pacific and continental Europe). The increased revenues are due to admission fees (including annual passes, multi-day tickets and day admittance) from high visitor numbers. They are also due to increased spend per guest (on commercial goods such as onsite sales of retail merchandise and souvenirs such as photos).

Merlin Entertainments monitors its liquidity position closely. It reviews 3-month cash flow forecasts for all of its attractions on a weekly basis. It also keeps the availability of sources of finance under constant review.

The company's borrowings fell slightly to £3712m at end of 2023, from £3807m at end of 2022. However, Merlin Entertainments' finance costs increased due to higher interest rates and unfavourable movements in exchange rates affecting loans not in Pounds Sterling (£).

© Cambridge OCR 2026

Selected end of year balances for Merlin Entertainments are shown in the table below.

End of year balances:	**2023 (£m)**	**2022 (£m)**
Current liabilities	554	627
Current assets	443	529
of which:		
inventories	69	61
cash and cash equivalents	164	266

11

(a) Explain **one** way of managing operational quality in a business.

.....

.....

.....

..... **[2]**

(b) Explain **one** likely reason why Merlin Entertainments focuses on providing a high quality of experience to its guests.

.....

.....

.....

..... **[2]**

12 Analyse **one** advantage and **one** disadvantage for Merlin Entertainments of outsourcing its provision of food and drink at its UK theme parks.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... **[8]**

13 Analyse **two** market factors that are likely to affect the demand for Merlin Entertainments' UK theme parks.

Recommend how Merlin Entertainments should best respond to changes in these market factors. Justify your answer.

[14]

14* Using calculations of **two** different liquidity ratios, evaluate Merlin Entertainments' liquidity position and suggest ways to improve this position. **[14]**

Question 15 starts on page 14

Section C

Read the case study and answer the questions.

Ryugo Ltd

Ryugo Ltd manufactures its own brand of cycling clothing. The company's founders, Ryan and Hugo, met at university. Ryan was studying politics and Hugo was studying business law. Ryugo Ltd's stylish, yet functional, product range consists of shorts, leggings, t-shirts and jerseys. The brand is proving popular with under 35s who cycle to work.

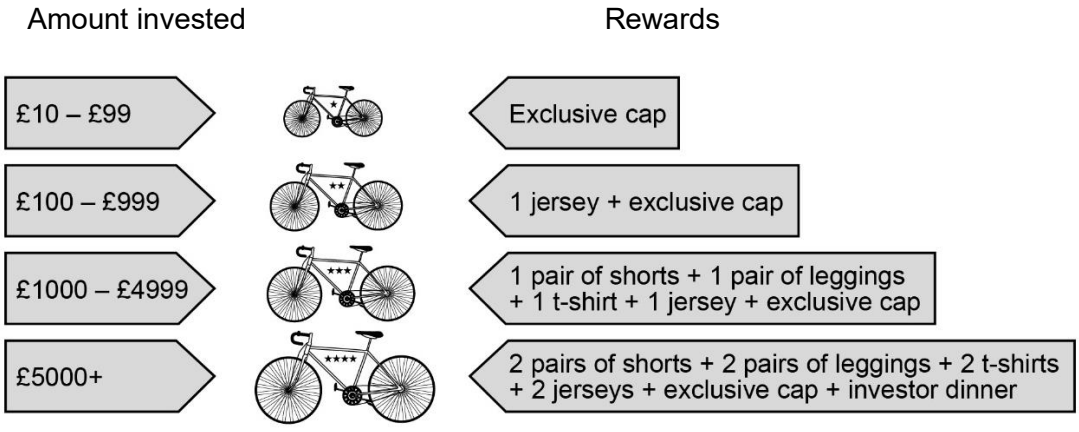
Ryugo Ltd supplies sportwear retailers and specialist cycle outfitters across the UK. After three years of trading, the company now has 75 employees who produce hundreds of items a day in a range of designs, colours and sizes. On average, Ryugo Ltd sells its clothing to retailers for £60 per item with variable costs of £12 per item. The company's fixed costs, including storage costs, are currently £350,000 per month. Ryan and Hugo both invested personal savings in the company. They hope that this year the company might turn its first profit. The company has a low gearing ratio.

Recently the company has experienced the following problems:

- political sanctions causing supply issues for carbon black, an important raw material
- volatile exchange rates causing severe fluctuations in the cost of fabrics
- out-of-date stocks of perishable rubber compound needing to be destroyed
- damage to work in progress due to a spillage in the cluttered sewing room
- needing to use a cleaning cupboard to store high inventory levels of winter jerseys
- being unable to supply a large order for t-shirts due to uncertainty over stock levels
- customers cancelling orders due to delays in dispatching some sizes and colours.

Ryan and Hugo have decided that the company would benefit from using inventory control software. The cost of the software is £15,000, plus ongoing licensing and support fees. The purchase will need to be financed externally. Ryan favours crowdfunding and has drawn up an investor reward scheme (see **Fig. 1**). Hugo favours a bank loan. He recommends a 60-month, variable rate loan, available from the company's bank with an initial APR of 5.9%.

Fig. 1 Investor reward scheme


Amount invested
Rewards
£10 – £99
Exclusive cap
£100 – £999
1 jersey + exclusive cap
£1000 – £4999
1 pair of shorts + 1 pair of leggings + 1 t-shirt + 1 jersey + exclusive cap
£5000+
2 pairs of shorts + 2 pairs of leggings + 2 t-shirts + 2 jerseys + exclusive cap + investor dinner

Ryan and Hugo both hope that the inventory control software will allow them to scale up operations. They wish to begin selling abroad. They have chosen the Japanese market. Japan has a population of 127m and an average ownership of 0.67 bicycles per person. Ryan and Hugo have further plans to export businesses in America and Australia in due course.

© Cambridge OCR 2026

15

(a) State what is meant by the term 'profit'.

..... **[1]**

(b) Calculate the minimum number of items of clothing Ryugo Ltd needs to sell this year to avoid making a loss. Show your working.

.....

.....

..... **[3]**

16 Analyse **two** advantages for Ryugo Ltd of inventory control.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... **[8]**

17 Using the case study, analyse the **two** external sources of finance that Ryan and Hugo are considering using to fund the purchase of the inventory control software.

Recommend which of the two sources of finance is most suitable for Ryugo Ltd.
Justify your answer.

[14]

18* Evaluate potential challenges to Ryugo Ltd of selling its range of cycling clothing to businesses in Japan and suggest ways to overcome these challenges.

[14]

END OF QUESTION PAPER

CAMBRIDGE OCR

Sample Mark Scheme

A Level Business H436/02 Operations, finance and external influences

MARK SCHEME

Duration: 2 hours

MAXIMUM MARK 90

Version: **Sample**

This document has 37 pages

MARKING INSTRUCTIONS

PREPARATION FOR MARKING
RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Assessor Online Training*; *OCR Essential Guide to Marking*.

2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal http://www.rm.com/support/ca

3. Log-in to RM Assessor and mark the **required number** of practice responses ("scripts") and the **number of required** standardisation responses.

   YOU MUST MARK 10 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

MARKING

1. Mark strictly to the mark scheme.

2. Marks awarded must relate directly to the marking criteria.

3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.

4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.

5. **Crossed Out Responses**
Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

Multiple Choice Question Responses
When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

Contradictory Responses
When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)
Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)
If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)
Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add a tick to confirm that the work has been seen.

7. Award No Response (NR) if:

- there is nothing written in the answer space

Award Zero '0' if:

- anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

8. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**
If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.

9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

10. For answers marked by levels of response:

a. **To determine the level** – start at the highest level and work down until you reach the level that matches the answer
b. **To determine the mark within the level**, consider the following

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

11. Annotations

Annotation	Meaning
KU	Knowledge and understanding
APP	Application
AN	Analysis
DEV	Developed analysis
EVAL	Evaluation
EE	Extended Evaluation
ARA	Any reasonable answer
Q	Quantitative skills

12. Marking exemplars:

Marking exemplars in A Level Business are benchmark responses used to guide examiners, ensuring consistency and fairness by illustrating the expected level of depth, application, analysis, and evaluation to reward each skill. They also help identify the features of strong responses—such as well-structured arguments, accurate use of business terminology, and relevant real-world examples (without always being full-mark answers in terms of the level of detail gone into).

13. Subject Specific Marking Instructions

Section A: Multiple Choice

SECTION A			
Question	**Answer**	**Marks**	**Assessment Objective**
1	**C**	1	2 1a
2	**C**	1	1 1a
3	**B**	1	1 1a
4	**C**	1	2 1aQ
5	**A**	1	2 1a
6	**D**	1	2 1aQ
7	**C**	1	1 1b
8	**C**	1	2 1bQ
9	**A**	1	1 1a
10	**C**	1	1 1b

Section B

Question	Answer	Mark	Guidance
11a	**Explain <u>one</u> way of managing operational quality in a business.** **Relevant K&U includes:** • Quality control • Quality assurance **ARA**	**2** **(AO1 1a 2)**	One mark for identification of a valid way of managing operational quality plus one further mark for explanation. Answers do not need to relate to Merlin Entertainments. **Example response:** Quality control (1) can be used. This involves the inspection of inputs and outputs against predetermined standards (1).
11b	**Explain <u>one</u> likely reason why Merlin Entertainments focuses on providing a high quality of experience to its guests.** **Relevant K&U includes:** • To meet customer expectations • To increase attendance • To command a higher price • To satisfy customers • To reduce complaints • To encourage repeat custom • To maintain a positive reputation • To strengthen its branding • To bolster brand/corporate image • To gain advantage on the competition **ARA**	**2** **(AO1 1c 1)** **(AO2 1c 1)**	One mark for a valid reason. *No application marks can be gained without understanding.* One further mark for application to Merlin Entertainments. APP **Example response:** Focusing on quality is likely to lead to high levels of customer satisfaction (1), leading to visitors recommending the theme park to family and friends (APP).

Question	Answer	Mark	Guidance
12	**Analyse <u>one</u> advantage and <u>one</u> disadvantage for Merlin Entertainments of outsourcing its provision of food and drink at its UK theme parks.** **Relevant K&U includes:** • **Advantages** e.g. managing capacity, cost reduction, focus on core activities, increased specialisation, increased efficiency, higher quality service, link to leading brand, etc • **Disadvantages** e.g. loss of control, more difficult to manage, reduced confidentiality, less flexibility, conflict of organisational objectives, etc **Application includes:** Application of positive and negative effects of outsourcing on Merlin Entertainments, including use of qualitative information in the case study. Context that may be USED include: • 141 tourist attractions • Focus on quality and exceptional service • Increased visitor numbers in 2023 • 62.1m in 2023 visitors compared to 55.1m in 2022 • Revenue of 2.125m in 2023 compared to £1960m in 2022 • Made a loss of £17m in 2023 • Delivering uplifting experiences is its purpose • Robust demand for enjoyable experiences • Retail merchandise and souvenirs • Entertainment industry competes with other tourist attractions • Increased spend per guest	**8** **(AO1 1c 2)** **(AO2 1b 1)** **(AO2 1c 1)** **(AO3 4)**	Candidate performance should be assessed for each skill (i.e. knowledge, application, analysis, evaluation) by selecting the mark which most closely resembles their performance for each specific skill. A candidate's level of performance is likely to vary from skill to skill. **Use level of response marking grid to assess skill levels.** Annotate as: Up to two marks for knowledge and understanding **[KU]** Up to two marks for application **[APP]** Up to four marks for analysis **[AN]/[DEV]** This question provides opportunity for candidates to investigate how outsourcing is both an opportunity and a problem for businesses. Candidates should consider how outsourcing can positively and negatively affect an organisation using the qualitative information given in the case study about Merlin Entertainments. Analysis should investigate the impact on Merlin Entertainments' operations, behaviour or performance of outsourcing. Basic analysis should demonstrate an understanding of the impact on the organisation of outsourcing using straightforward logic and business concepts. Developed analysis should demonstrate more complex reasoning using a logical chain of argument to explore the implications on the organisation of outsourcing.

	Analysis includes: • Positive impacts on business operations of outsourcing. • Positive impacts on business behaviour of outsourcing. • Positive impacts on business performance of outsourcing. • Negative impacts on business operations of outsourcing. • Negative impacts on business behaviour of outsourcing. • Negative impacts on business performance of outsourcing. **ARA**		

Q12 Analyse <u>one</u> advantage and <u>one</u> disadvantage for Merlin Entertainments of outsourcing its provision of food and drink at its UK theme parks. [8]

	Knowledge & Understanding (2 marks)	**Application** (2 marks)	**Analysis** (4 marks)
Strong	**2 marks** Knowledge of one advantage **AND** one disadvantage of outsourcing. **[KU]**	**2 marks** Application to Merlin Entertainments of one advantage **AND** one disadvantage of outsourcing. **[APP]**	**4 marks** Developed analysis of the impact on business performance of one advantage **AND** one disadvantage of outsourcing **[DEV]**
Good			**3 marks** One developed **AND** one basic analysis of the impact on business performance of one advantage **AND** one disadvantage of outsourcing. **[DEV]+[AN]**
Reasonable	**1 mark** Knowledge of one advantage **OR** disadvantage of outsourcing. **[KU]**	**1 mark** Application to Merlin Entertainments of one advantage **OR** disadvantage of outsourcing. **[APP]**	**2 marks** Developed analysis of the impact on business performance of one advantage **OR** disadvantage of outsourcing.**[DEV]** **OR** Basic analysis of the impact on business performance of one advantage **AND** one disadvantage of outsourcing. **[AN] [AN]**
Limited			**1 mark** Basi**c** analysis of the impact on business performance of one advantage **OR** disadvantage of outsourcing. **[AN]**

12	**Marking exemplar:** One advantage of outsourcing is that it allows a business to focus on its core activities (KU). This increases specialisation, increasing competitive advantage (AN). For Merlin Entertainments outsourcing food provision means that they can focus on their element of purpose i.e. delivering uplifting experiences with exceptional service (APP). Merlin Entertainments' increased focus on its core elements leads to better capacity management, cost reduction and higher quality service. Consequently increasing profits which can be paid as dividends to shareholders (DEV). One disadvantage of outsourcing is that the business loses a degree of control over the service being outsourced (KU). So, Merlin Entertainments will have less say in the menus offered and whether the meals offer healthy nutrition (APP). However, any deficiency in this provision will still negatively affect reviews that guests leave on social media and ratings websites (AN), consequently Merlin Entertainments' reputation could be damaged by Aramark's behaviour, potentially leading to fewer visitors at its theme parks (DEV).

Question	Answer	Mark	Guidance
13	**Analyse two market factors that are likely to affect the demand for Merlin Entertainment's UK theme parks. Recommend how Merlin Entertainments should best respond to changes in these market factors. Justify your answer.** **Relevant K&U includes:** • Income of customers e.g. disposable income, YED • Price e.g. admission, merchandise, catering, PED • Price and availability of substitutes e.g. other tourist attractions • Price of complements e.g. price of local hotels • Tastes and fashion e.g. trends in leisure industry • Promotion e.g. budget, types, frequency, aggression **Application includes:** Application of market factors that affect demand for Merlin Entertainments' theme parks. This may include use of qualitative and quantitative information provided in the case study. Context that may be USED include: • Tourism and entertainment market • Its theme parks in the UK are branded • Competition from own attractions in other 22 countries • Competition in the UK from Merlin's UK non-theme park attractions e.g. Legoland, Madame Tussauds, Cadbury World, Sea Life, the London Eye • Focus on quality and exceptional service • Increased visitor number in 2023 • 62.1m in 2023 visitors cf 55.1 in 2022 • Revenue of 2.125m in 2022 cf £1960m in 2022 • Made a loss of £17m in 2023	**14** **(AO1 1b 2)** **(AO2 1b 2)** **(AO3 4)** **(AO4 1b 2)** **(AO4 1d 4)**	Candidate performance should be assessed for each skill (i.e. knowledge, application, analysis, evaluation) by selecting the mark which most closely resembles their performance for each specific skill. A candidate's level of performance is likely to vary from skill to skill. **Use level of response marking grid to assess skill levels.** Annotate as: Up to two marks for knowledge and understanding **[KU]** Up to two marks for application **[APP]** Up to four marks for analysis **[AN]/[DEV]** Up to six marks for evaluation **[EVAL]/[EE]** This question requires candidates to propose evidence-based solutions based on the qualitative and quantitative information provided. In particular, this question assesses candidates' ability to present evidence-based solutions on how organisations should best respond to external influences, in this case market factors that affect demand in a dynamic market. The question provides opportunity for candidates to demonstrate their knowledge of market factors which affect demand and apply their understanding to Merlin Entertainments, including opportunities to consider numerical considerations such as visitor numbers, revenue and profit. Analysis should investigate the effect on demand for Merlin Entertainment's theme park of each market factor proposed by the candidate. Basic analysis should demonstrate an understanding of the impacts of specific market factors using straightforward logic and drawing on basic business concepts. Developed analysis

	• Delivering uplifting experiences is its purpose • Robust demand for enjoyable experiences in UK, Asia Pacific and continental Europe • Retail merchandise and souvenirs • Entertainment industry competes with other tourist attractions • Increased spend per guest **Analysis includes:** • Increases in demand • Decreases in demand • Changes in nature of demand. **Evaluation could include:** A judgement relating to market factors that impact demand, supported by: • Weighing up of magnitude of changes in demand • Critical analysis to judge the severity and importance of changes in demand • Consideration of short-term and long-term nature of changes in demand. • Consideration of dynamic market behaviour in relation to how Merlin Entertainments' other tourist attractions/non-UK theme parks compete against its own UK provision • Consideration of the price, quality, availability and location of competitor offerings. • Consideration of the qualitative and quantitative information provided and Merlin Entertainment's unique circumstances in terms of being a recognised brand in the leisure market. • Cost-benefit arguments relating to trade-offs in terms of time, money and opportunity cost.	**ARA**	should demonstrate more complex reasoning using a logical chain of argument to explore the implications on the organisation of specific market factors. Evaluation requires candidates to justify their proposal of how Merlin Entertainments should best respond to changes in market factors that affect demand. Justified, proposed solutions could include identifying realistic, evidence-based actions Merlin Entertainments could take to respond to key market factors, such as changes in discretionary spending or visitor demand. These might involve adjusting pricing strategies to reflect income elasticity of demand, investing in marketing campaigns to strengthen brand loyalty, or diversifying attractions to encourage repeat visits and smooth demand throughout the year. Each solution should be justified with clear reasoning and supported by relevant quantitative or qualitative evidence, taking into account short-term and long-term impacts, costs, and practical considerations to ensure they effectively address the challenges posed by the dynamic leisure market. A basic solution would comprise some reasoning as to why that proposal has been chosen, but with limited support. A solution would include a rationale for choosing the proposal. An evidence-based solution would be backed by quantitative or qualitative evidence or reasoning. A strong evidence-based solution is likely to be backed by quantitative and qualitative evidence or reasoning and weigh up the advantages and disadvantages of each to rank the solutions.

Q13 Analyse two market factors that are likely to affect the demand for Merlin Entertainment's UK theme parks. Recommend how Merlin Entertainments should best respond to changes in these market factors. Justify your answer. [14]

	Knowledge & Understanding (2 marks)	**Application** (2 marks)	**Analysis** (4 marks)	**Evaluation** (6 marks)
Strong	**2 marks** Knowledge of two market factors that affect demand. **[KU]**	**2 marks** Application to Merlin Entertainments of two market factors likely to affect demand for UK theme parks. **[APP]**	**4 marks** Developed analysis of the impact on demand of two market factors. **[DEV]**	**5-6 marks** An evidence-based solution is proposed as to how Merlin Entertainments should best respond to market factors that affect demand for its tourist attractions, including why an alternative has a lower impact (with explicit use of the context). **[EE][EE]**
Good			**3 marks** One developed **AND** one basic analysis of the impact on demand of two market factors. **[DEV]+[AN]**	**4 marks** An evidence-based solution is proposed as to how Merlin Entertainments should respond to market factors that affect demand for its tourist attractions (with explicit use of the context). **[EE]**
Reasonable	**1 mark** Knowledge one market factor that affects demand. **[KU]**	**1 mark** Application to Merlin Entertainments of one market factor likely to affect demand for UK theme parks. **[APP]**	**2 marks** Developed analysis of the impact on demand of one market factor. **[DEV]** **OR** Basic analysis of the impact on demand of two market factors. **[AN] [AN]**	**2-3 marks** A solution is proposed, though with limited evidence, as to how to respond to market factors that affect demand. **[EVAL] [EVAL]**
Limited			**1 mark** Basic analysis of the impact on demand of one market factor. **[AN]**	**1 mark** A basic solution is proposed which lacks evidence as to how to respond to market factors that affect demand. **[EVAL]**

13	**Marking exemplar:** One market factor that affects demand for Merlin Entertainments is the price (KU). If Merlin Entertainments lowers the price of its annual pass, then demand would increase (APP). This will lead to more visitors attending the theme park and possibly spending more money on souvenirs and photographs (AN). However, whether this increase in demand increases revenue will depend on the price elasticity of demand, since the proportionate increase in demand needs to be greater than the proportionate reduction in price (DEV). Another market factor that will affect demand for Merlin Entertainments is the price of substitutes (KU). If other theme parks charge significantly less for day admittance than Merlin Entertainments, then Merlin Entertainments' demand would fall (APP). This would reduce footfall and cash inflows for Merlin Entertainments (AN). Reduced cash inflows would further increase Merlin Entertainments' finance costs, which are already high due to having a high gearing ratio with borrowings in excess of £3,000 million (DEV). To counteract the price of substitutes, Merlin Entertainments could focus on enhancing the unique experiences it offers — such as exclusive events, VIP packages, or themed seasonal attractions (EVAL). This would make its parks less directly comparable to cheaper alternatives and position the brand as a premium experience, reducing the impact of cheaper substitutes. However, the price Merlin Entertainments charges for admission is likely to have the greatest impact because price typically has a negative impact on demand. To respond to this, Merlin Entertainments could introduce dynamic pricing — lowering prices during off-peak periods to boost visitor numbers while maintaining higher prices during peak times to maximise revenue (EVAL). This approach could help balance demand and revenue throughout the year, so that monthly takings would be close to £177 million a month, rather than having great peaks.

Question	Answer	Mark	Guidance
14*	**Using calculations of <u>two</u> different liquidity ratios, evaluate Merlin Entertainments' liquidity position and suggest ways to improve this position.** **Relevant K&U includes:** • Ability to turn assets into cash • Ability to pay short term debts • Concerned with solvency • To avoid bankruptcy/liquidation • Sufficient cashflow for operations **Quantitative application*:** • Current ratio: 2023 443/554 = 0.799 = **0.80**; 2022 529/627 = 0.843 = **0.84** • Acid test ratio: 2023 (443-69)/554 = 0.675 = **0.68**; 2022 (529-61)/627 = 0.746 = **0.75** **Analysis includes:** • Current ratio ○ Below the traditional assumption that 2.0 (2:1) is the minimum acceptable ratio, in both years ○ Position worsened slightly in 2023 compared to 2022 ○ Need to sell stock to help pay short term liabilities • Acid test ratio ○ Below the traditional assumption that 1.0 (1:1) is the minimum acceptable ratio, in both years	**14(Q)** **(AO1 1a 2)** **(AO2 1a 2)** **(AO3 4)** **(AO4 1a 2)** **(AO4 1b 4)**	NB This question contains 6 embedded marks for quantitative skill (Q) as indicated on the marking grid. It should be noted that whilst the AO2 Q marks may not be achieved (incorrect calculation of ratio(s)), this should not be a barrier to the AO3 and AO4 Q marks, if the analysis/evaluation meets the other criteria, based on the ratio figures as calculated. Candidate performance should be assessed for each skill (i.e. knowledge, application, analysis, evaluation) by selecting the mark which most closely resembles their performance for each specific skill. A candidate's level of performance is likely to vary from skill to skill. **Use level of response marking grid to assess skill levels.** Annotate as: Up to two marks for knowledge and understanding **[KU]** Up to two marks for application* **[APP]** Up to four marks for analysis **[AN]/[DEV]** Up to six marks for evaluation **[EVAL]/[EE]** *Application refers to the use of given data to demonstrate quantitative skill. Candidate should undertake the calculation of two liquidity ratios, i.e. a current ratio and an acid test ratio, not two current ratios for different years. *Quality of Extended Response is assessed in this question. Please see marking grid statements below. QoER Statements should be taken into account when marking AO4.* This question requires candidates to make informed judgements using quantitative information and propose evidence-based solutions.

	○ Position worsened significantly in 2023 compared to 2022 ○ Unable to pay their short-term liabilities even if they sell all stock **Evaluation could include:** A judgement relating to liquidity position, supported by: • Consideration of relative importance of liquidity ratios • Consideration of the tiny difference between current ratio and acid test ratio because Merlin Entertainments is a service sector business which holds little stock, value of current ratio? • Consideration of how historic high interest rates and unfavourable exchange rates might have affected the ratios. • Consideration of trends and direction of change. • Challenge of traditional assumptions that the minimum acceptable current ratio is 2 (2:1) and the minimum acceptable acid test ratio is 1 (1:1). • Suggested mitigations to improve liquidity control (including frequent cash-flow forecasting, reviewing of debt markets, being a large well-known firm, robust demand, increasing visitor numbers, increased customer spend and multiple income streams). • Suggested course of actions to improve liquidity e.g. ways to lower inventory, reduce current liabilities or increase current assets. **ARA**		In particular, this question assesses candidates' ability to use complex quantitative information to make informed judgements about an organisation's liquidity position. The question provides opportunity for candidates to demonstrate their knowledge and understanding of liquidity and requires the demonstration of quantitative skill to calculate both the current and acid test ratios. These may be from different years (in terms of the AO2 mark), though any subsequent analysis or evaluation marks may be affected. Breadth of knowledge refers to the range of relevant business concepts, theories, and terminology used in a response. A strong answer will draw on ideas from multiple topic areas and demonstrate an understanding of different approaches or perspectives. Limited knowledge may be shown by relying on just one concept or a narrow part of the specification. Analysis should interpret the key points and financial relationships relating to liquidity. Basic analysis should demonstrate an understanding of the impacts of liquidity on Merlin Entertainments using straightforward, non-quantitative, argument drawing on basic business concepts. Developed analysis should demonstrate more complex reasoning based on interpretation of the quantitative calculations of the liquidity ratios using a logical chain of argument. Evaluation requires candidates to make judgements about Merlin Entertainments' liquidity position and propose solutions to improve this position. Justified, proposed solutions could include ways to lower inventory, such as more outsourcing and better stock control; ways to reduce current liabilities such as improved control of trade receivables and better debt management; or ways to increase current assets such as delaying payments to creditors and better cash management. Mitigating actions to keep close review of cash flow should also be considered.

			A basic solution would comprise a proposal with a lack of reasoning or support. A solution with justified evaluative comment would include a rationale for the proposal backed by logical reasoning. An evidence-based solution with justification is likely to supported by qualitative contextual reasoning. Strong evaluation would be supported by qualitative and quantitative reasoning and include the evaluative use of the ratio data and reasoning as to how the proposed solution would improve Merlin Entertainments' liquidity position. It might also include challenging the traditional assumptions relating to the minimum acceptable ratios, especially given Merlin Entertainments' 3-monthly cash-flow review. NB Credit should only be given when students show accurate understanding of what the ratios mean and how they should be interpreted properly. NOTE: the grid contains 7 'Q's though only 6 can be awarded. The additional Q is related to where in the analysis mark the response lies.

Q14* Using calculations of <u>two</u> different liquidity ratios, evaluate Merlin Entertainments' liquidity position and suggest ways to improve this position. [14]

	Knowledge & Understanding (2 marks)	**Application** (2 marks)	**Analysis** (4 marks)	**Evaluation** (6 marks)
Strong	**2 marks** Breadth of knowledge relating to liquidity. **[KU]**	**2 marks (Q)** Correct calculation of both liquidity ratios. (working not required) **[APP]**	**4 marks (Q)** Developed (quantitative) analysis of both of the liquidity ratios. **[DEV]**	**5-6 marks (Q)(Q)** A justified evaluation with evidence-based solution is proposed which is well-developed with a sustained line of reasoning that is clear, coherent and logically structured. The evaluation presents information that is relevant and substantiated (including explicit use of the context and evaluative use of the ratio data) that weighs up how Merlin Entertainments' can improve its liquidity position. **[EE][EE]**
Good			**3 marks** Developed (quantitative) (Q) analysis of one of the liquidity ratios **AND** a basic analysis of factors relating to one liquidity ratio. **[DEV] [AN]**	**4 marks** A justified evaluation with evidence-based solution is proposed which has a line of reasoning which is reasonably coherent and that has some structure. The evaluation presents information that is mostly relevant and supported by some evidence (including explicit use of the context but with no evaluative use of the ratio data) that weighs up how Merlin Entertainments' can improve its liquidity position. **[EE]**

Reasonable	**1 mark** Limited knowledge relating to liquidity. **[KU]**	**1 mark (Q)** Correct calculation of one liquidity ratio. (working not required) **[APP]**	**2 marks** Developed (quantitative) (Q) analysis of one of the liquidity ratios. **OR** Basic analysis of factors relating to two liquidity ratios. **[AN]**	**2-3 marks** A justified evaluative comment with a solution w is proposed but with limited structure. The information presented has some relevance for improving the liquidity position of a business. **[EVAL] [EVAL]**
Limited			**1 mark** Basic analysis of factors relating to one liquidity ratio. **[AN]**	**1 mark** An assertion for a solution is proposed. The reasoning for the proposal lacks structure and the information presented has little relevance for improving the liquidity position of a business. **[EVAL]**

14*	**Marking exemplar:** Liquidity refers to a company's ability to pay its short-term debts (KU). A business that is unable to pay its short-term debts is in danger of becoming insolvent. If all of its short-term debts were called-in the company would be forced into administration or liquidation (KU). The current ratio measures a firm's ability to pay its debts if it sells its current stock (AN). The acid test removes stock from the equation to test whether the business could pay its debts immediately (AN). Merlin Entertainments current ratio for 2023 was 0.8 (APP)(Q); its acid test ratio was 0.68 (APP) (Q). With an acid test of less than 1.0, Merlin Entertainments could not immediately pay off all of its short-term debts if called upon to do so (DEV)(Q). Its current ratio is well below the traditional norm of 2.0 showing that the company could not pay its short-term debts even if it sold all of its inventories (DEV)(Q). A business should have sufficient liquidity to pay its short-term debts if called upon to do so. One way Merlin Entertainments could achieve this is by reducing it current liabilities (EVAL). However, Merlin Entertainments' liquidity position is deteriorating despite a significant reduction in current liabilities in 2023, so this may not be the best solution. Instead the company may need to increase its current assets, particularly cash (EVAL). A significant injection of cash or working capital would restore both of the company's liquidity ratios to their traditionally accepted norms of 2.0 for the current ratio and 1.0 for the acid test ratio (EE). The company's current ratio in 2022 was 0.84 and its acid test ratio 0.75 (Q). Both ratios have declined, the primary reason for which is a drop of £102 million in current assets (Q) held as cash and cash equivalents. Unlike a retail or manufacturing business, Merlin Entertainments provides a service and as such does not hold large stocks. Therefore, its current ratio is always going to be similar to its acid test ratio, and its acid test ratio is more important. This is under the traditionally accepted norm of 1.0 but it does not necessarily mean that Merlin Entertainments is in trouble so long as it continues to review its cash flows weekly and constantly reviews available sources of finance that it could use should they be needed (EE).

Section C

Question	Answer	Mark	Guidance
15a	**State what is meant by the term 'profit'.** **Relevant K&U includes:** • Money leftover once expenses have been paid • The amount by which revenue exceeds costs • Financial reward for enterprise **ARA**	**1** **(AO1 1a 1)**	One mark for identification. Answers do not need to relate to Ryugo Ltd. Do **not** credit the formula for profit or how to calculate profit.
15b	**Calculate the minimum number of items of clothing Ryugo Ltd needs to sell this year to avoid making a loss. Show your working.** **Indicative content:** Fixed cost = 12 x £350,000 = £4,200,000 (1) Contribution = £60 - £12 = £48 (1) Break-even = £4,200,000 / £48 = 87,500 items (1) (of clothing)	**3Q** **(AO2 1a 2)** **(AO2 1b 1)**	Credit three marks for correct answer (with or without working) i.e. **87,500 items**. Credit two marks for a correct numerical answer but with incorrect units e.g. a pound sign or percentage sign. Else award one mark for each of the following, if seen (£ signs not required).: • 4,200,000/4.2m (fixed costs) • 48 (contribution)

Question	Answer	Mark	Guidance
16	**Analyse <u>two</u> advantages for Ryugo Ltd of inventory control.** **Relevant K&U includes:** • Minimise need to store inventory/stock • To inform on reorder levels and timings • Reduce risk of stock outs • Minimise risk of damage to inventory • To communicate effectively with suppliers • To expedite procurement when needed • To provide inventory/stock updates to customers • Effective cash flow forecasting **Application includes:** Application of benefits of inventory control for Ryugo Ltd, including use of qualitative or quantitative information in the case study. Context that may be USED includes: • Supplier issues with carbon black • Exchange rates volatile affecting cost of fabrics • Perishable rubber compound needed to be destroyed • Spillage in sewing room • Using a cleaning cupboard to store winter jerseys • Being unable to supply a large order for t-shirts due to uncertainty over inventory/stock levels • Orders being cancelled due to size/colour supply issues **Analysis includes:** • Positive impacts on business operations of inventory control. • Positive impacts on business behaviour of inventory control.	**8** **(AO1 1b 1)** **AO1 1c 1)** **(AO2 1b 1)** **(AO2 1c 1)** **(AO3 4)**	Candidate performance should be assessed for each skill (i.e. knowledge, application, analysis, evaluation) by selecting the mark which most closely resembles their performance for each specific skill. A candidate's level of performance is likely to vary from skill to skill. **Use level of response marking grid to assess skill levels.** Annotate as: Up to two marks for knowledge and understanding **[KU]** Up to two marks for application **[APP]** Up to four marks for analysis **[AN]/[DEV]** This question provides opportunity for candidates to investigate how inventory control provides opportunities to improve business performance. Candidates should consider how inventory control can positively affect an organisation using the qualitative or quantitative information given in the case study about Ryugo Ltd. Analysis should investigate the impact on Ryugo Ltd's operations, behaviour or performance of inventory control. Basic analysis should demonstrate an understanding of the impact on the organisation of inventory control using straightforward logic and business concepts. Developed analysis should demonstrate more complex reasoning using a logical chain of argument to explore the implications on the organisation of inventory control. NB responses can relate to inventories of raw materials, finished good or work in progress.

Question	Answer	Mark	Guidance
	• Positive impacts on business performance of inventory control. **ARA**		

Q16 Analyse <u>two</u> advantages for Ryugo Ltd of inventory control. **[8]**

	Knowledge & Understanding (2 marks)	**Application** (2 marks)	**Analysis** (4 marks)
Strong	**2 marks** Knowledge of two advantages of inventory control. **[KU]**	**2 marks** Application to Ryugo Ltd of two advantages of inventory control. **[APP]**	**4 marks** Developed analysis of impact on business of two advantages of inventory control. **[DEV]**
Good			**3 marks** One developed **AND** one basic analysis of impact on business of two advantages of inventory control. **[DEV]+[AN]**
Reasonable	**1 mark** Knowledge of one advantage of inventory control. **[KU]**	**1 mark** Application to Ryugo Ltd of one advantage of inventory control. **[APP]**	**2 marks** Developed analysis of impact on business of one advantage of inventory control. **[DEV]** **OR** Basic analysis of impact on business of two advantages of inventory control. **[AN] [AN]**
Limited			**1 mark** Basic analysis of impact on business of one advantage of inventory control. **[AN]**

16	**Marking exemplar:** One advantage of inventory control is that inventory levels can be kept to a minimum (KU). This will reduce the business' storage costs (AN). Since Ryugo Ltd's storage costs currently cost £350,000 even a 10% reduction in size of inventory levels would save £420,000 per year (APP). Reducing inventory levels would also minimise wastage through damage to large amounts of stock, such as the damage to work in progress due to a spillage. Therefore, more garments would be suitable for sale, leading to higher revenue and, hopefully, recording Ryugo Ltd's first profit (DEV). Inventory control also reduces the risk of stock outs (KU). Delays in supplying specialist cycling retailers is likely to lead to cancelled orders and disappointed customers (APP). This will lead to complaints and concerns over the reliability of the brand (AN). Moreover, given the niche market in which specialist cycling retailers operate it is very likely that Ryugo Ltd will receive negative publicity in specialist magazines damaging the reputation Ryugo Ltd has carefully built in the last three years (DEV).

Question	Answer	Mark	Guidance
17	**Using the case study, analyse the <u>two</u> external sources of finance that Ryan and Hugo are considering using to fund the purchase of the inventory control software. Recommend which of the <u>two</u> sources of finance is most suitable for Ryugo Ltd. Justify your answer.** **Relevant K&U includes:** • **Crowdfunding** e.g. does not need to be paid back, can be used as a promotional tool, uncertainty over how much will be raised, need to give out rewards, etc • **Bank loan** e.g. monthly instalments, needs to be paid back, interest charged, changeable interest rate, etc **Application includes:** Application of advantages/disadvantages of specific external sources of finance to Ryugo Ltd. This may include use of qualitative and quantitative information provided in the case study. Context that may be USED include: • Software costs £15,000 • Already has fixed costs of £350,000 per month/£4.2m per annum • Not yet made a profit • Bank loan interest £885 per annum (simple interest)/£4425 over 5 years • Rewards also advertise the clothing • Difficulties creating an equitable award scheme (£100 most lucrative for investors) • Crowdfunding gives no incentive to invest more than £5000 • Currently has a low gearing ratio	**14** **(AO1 1b 1) AO1 1c 1) (AO2 1a 2) (AO3 4) (AO4 1a 2) (AO4 1c 4)**	Candidate performance should be assessed for each skill (i.e. knowledge, application, analysis, evaluation) by selecting the mark which most closely resembles their performance for each specific skill. A candidate's level of performance is likely to vary from skill to skill. **Use level of response marking grid to assess skill levels.** Annotate as: Up to two marks for knowledge and understanding **[KU]** Up to two marks for application **[APP]** Up to four marks for analysis **[AN]/[DEV]** Up to six marks for evaluation **[EVAL]/[EE]** This question requires candidates to make informed judgements using qualitative and quantitative information. In particular, this question assesses candidates' decision-making skills and their ability to make informed judgements about sources of finance. It provides opportunity for candidates to demonstrate their understanding of bank loans and crowd funding and apply this to the information given in the case study about Ryugo Ltd. including numerical data about costings and rewards. Analysis should investigate the positive/negative effects on Ryugo Ltd of each financial solution proposed. Basic analysis should demonstrate an understanding of the impacts of specific sources of finance using straightforward logic and drawing on basic business concepts. Developed analysis should demonstrate more complex reasoning using a logical chain of argument to explore the implications on the organisation of specific sources of finance. Evaluation requires candidates to make a decision supported by justification as to which source of finance is most suitable for Ryugo Ltd. A basic assertion would comprise a decision with some

Question	Answer	Mark	Guidance
	• Both owners have personal savings invested in the business **Analysis includes:** • Advantages to the organisation of specific external sources of finance. • Disadvantages to the organisation of specific external sources of finance. **Evaluation could include:** A decision as to which source of finance is most suitable, supported by: • Weighing up of advantages and disadvantages of sources. • Critical analysis to judge the magnitude and importance of advantages/disadvantages of each method. • Consideration of short-term and long-term implications of specific sources of finance. • Consideration of the qualitative and quantitative information provided and Ryugo Ltd's unique circumstances in terms of being low geared, yet to turn a profit and yet to provide a return to shareholders. • Cost-benefit arguments relating to trade-offs in terms of time, money and opportunity cost. **ARA**		reasoning as to why that source of finance has been chosen, but without detailed reasoning or evidence to support it. A justified evaluative comment would include a rationale for the decision backed. Justified evaluation is likely to be backed with qualitative or quantitative argument which weighs up the advantages and disadvantages of both methods. Justified evaluation might include critical analysis of factors such as the business is low geared, yet to turn a profit and yet to provide any return on investment to the business founders. In addition, the justification may attempt to balance the short-term and long-term trade-offs of using each source of finance. Strong evaluation will weigh up the advantages and disadvantages of both sources of finance to rank the methods. NB Do not credit 'leasing' because Ryan and Hugo want to purchase the software.

Q17 Using the case study, analyse the <u>two</u> external sources of finance that Ryan and Hugo are considering using to fund the purchase of the inventory control software. Recommend which of the <u>two</u> sources of finance is most suitable for Ryugo Ltd. Justify your answer. [14]

	Knowledge & Understanding (2 marks)	**Application** (2 marks)	**Analysis** (4 marks)	**Evaluation** (6 marks)
Strong	**2 marks** Knowledge of advantages /disadvantages of two appropriate sources of finance. **[KU]**	**2 marks** Application to Ryugo Ltd of advantages /disadvantages for two sources of finance. **[APP]**	**4 marks** Developed analysis of impact on business of advantages/disadvantages for two sources of finance. **[DEV]**	**5-6 marks** A justified evaluation as to which source of finance is most suitable for Ryugo Ltd, including why the alternative is less suitable (with explicit use of the context). **[EE][EE]**
Good			**3 marks** One developed **AND** one basic analysis of impact on business of advantages **/** disadvantages for two sources of finance. **[DEV]+[AN]**	**4 marks** A justified evaluation as to which source of finance is most suitable for Ryugo Ltd (with explicit use of the context). **[EE]**
Reasonable	**1 mark** Knowledge of advantages /disadvantages of one appropriate source of finance. **[KU]**	**1 mark** Application to Ryugo Ltd of advantages /disadvantages for one source of finance. **[APP]**	**2 marks** Developed analysis of impact on businesses of advantages /disadvantages for one source of finance. **[DEV]** **OR** Basic analysis of impact on business of advantages /disadvantages for two sources of finance. **[AN] [AN]**	**2-3 marks** A justified evaluative comment as to which source of finance is most suitable for a business. **[EVAL] [EVAL]**
Limited			**1 mark** Basic analysis of impact on businesses of advantages /disadvantages for one source of finance. **[AN]**	**1 mark** A basic assertion as to which source of finance is most suitable for a business. **[EVAL]**

17	**Marking exemplar:** One source of finance is a bank loan. This can be paid back in monthly instalments (KU) to minimise the impact on cash-flow (AN). The bank loan suggested by Hugo would require repayments of approximately £340 per month for 60 months (APP). The interest charged leads to the company paying back far more than they borrowed. Being a variable rate loan, the interest rate might increase, adding the uncertainty of unpredictable increases in costs in future years (DEV). Ryugo Ltd could use crowdfunding which is beneficial because the funds do not need to be paid back (KU). However, the business will need to provide rewards to encourage people to invest. Ryan suggests that a cycling jersey could be one of the rewards this is a low-cost reward to Ryugo Ltd because, despite probably retailing at over £100, the variable cost to the company is only £12 (APP). This would minimise the cost of finance (AN). It would only cost £12 for an investment of £999, so a one-off payment of 1.2% (plus a cap). In addition, when the crowdfunder wears the clothing, it is effectively free advertising for the business and may well increase brand awareness and increase sales (DEV). I recommend the business choose crowdfunding because of it is cost (EVAL). The rewards paid for crowdfunding are one-off costs of only £12 a garment (EVAL) whereas the bank would charge an annual interest rate of 5.9% initially, which could increase. In addition, the crowdfunding provides free marketing opportunities which a young business which is yet to turn a profit desperately needs (EE). The bank loan is less suitable because it would cost approximately £4500 extra in interest over the 5 years. In addition, this will also allow the business to keep its gearing ratio low (EE).

Question	Answer	Mark	Guidance
18*	**Evaluate potential challenges to Ryugo Ltd of selling its range of cycling clothing to businesses in Japan and suggest ways to overcome these challenges.** **Relevant K&U includes:** • Exchange rates e.g. conversion, volatility • Customs e.g. documentation • Exports e.g. UK's Japanese free trade agreement, possible tariffs and quotas • Transportation issues e.g. speed, cost • Language barriers e.g. communication • Cultural barriers • Differing political environments • Differing legislation **Application includes:** Application showing how Ryugo Ltd may be affected, by exporting its cycle clothing to Japan. This is likely to include use of qualitative and quantitative information provided in the case study. Context that may be USED includes: • Ryan studied politics at university • Hugo studied business law at university. • First overseas market • Japan population of 127m • Japan bicycles per person 0.67 • Number of bicycles in Japan 85m **Analysis includes:** • Operational challenges for the organisation • Human resource challenges for the organisation	**14** **(AO1 1a 2)** **(AO2 1a 1)** **(AO2 1c 1)** **(AO3 4)** **(AO4 1a 1)** **(AO4 1b 1)** **(AO4 1c 2)** **(AO4 1d 2)**	Candidate performance should be assessed for each skill (i.e. knowledge, application, analysis, evaluation) by selecting the mark which most closely resembles their performance for each specific skill. A candidate's level of performance is likely to vary from skill to skill. **Use level of response marking grid to assess skill levels.** Annotate as: Up to two marks for knowledge and understanding **[KU]** Up to two marks for application **[APP]** Up to four marks for analysis **[AN]/[DEV]** Up to six marks for evaluation **[EVAL]/[EE]** *Quality of Extended Response is assessed in this question. Please see marking grid statements below. QoER Statements should be taken into account when marking AO4.* In particular, this question assesses candidates' ability to judge the severity of challenges of exporting and to propose ways to overcome these challenges. The question provides opportunity for candidates to demonstrate their knowledge and understanding of the potential challenges of international trade, in this case exporting to Japan, including numerical considerations relating to the size of the market and potential revenues. Breadth of knowledge refers to the range of relevant business concepts, theories, and terminology used in a response. A strong answer will draw on ideas from multiple topic areas and demonstrate an understanding of different approaches or perspectives. Limited knowledge may be shown by relying on just one concept or a narrow part of the specification.

Question	Answer	Mark	Guidance
	• Marketing challenges for the organisation • Financial challenges for the organisation • Challenges due to cultural differences • Challenges due to language differences • Challenges due to legal factors • Challenges due to tariffs • Logistical challenges • Political challenges • Ryan and Hugo's knowledge of the Japanese market **Evaluation could include:** A judgement relating to overcoming the challenges of exporting, supported by: • Consideration of the relative magnitude of challenges • Weighing up of the drawbacks versus the potential benefits of exporting. • Consideration of size of market and Ryan and Hugo's limited experience running their own business • Consideration of short-term and long-term challenges of exporting • Critical analysis ranking the magnitude and importance of the advantages/disadvantages of exporting • Consideration of how to overcome the challenges (including hiring an international consultant, using language translators, taking legal advice, researching tariff data and logistical solutions, etc) • Consideration of alternative markets (including America and Australia). • Cost-benefit arguments relating to trade-offs in terms of time, money and opportunity cost.		Breadth of application is about how well knowledge is applied across the full business context provided. Strong responses apply concepts to different aspects of the scenario — such as various stakeholders, business functions, or external influences — and use contextual details to support their reasoning. Narrow application might only consider one stakeholder or ignore important features of the case study. Analysis should investigate the potential negative effects on Ryugo Ltd of exporting to Japan. Basic analysis should demonstrate an understanding of the impacts on Ryugo Ltd of exporting using straightforward logic and drawing on basic business concepts. Developed analysis should demonstrate more complex reasoning using a logical chain of argument to explore the implications on the organisation of exporting to Japan. Evaluation requires candidates to make a judgement as to the challenges posed for Ryugo Ltd by exporting to Japan and propose solutions on how to overcome these challenges. Justified proposed solutions on how best to overcome the challenges of exporting to Japan could include operational solutions such as separate departments, internet sales, shipping; recruiting staff with language competency, recruiting additional staff for manufacturing and dispatch; tailoring marketing to cultural norms; use of a marketing agency; hiring an international consultant to advise on paperwork and procedures for export; ways to improve the owners knowledge of the Japanese market, etc. Solutions are likely to be judged for expediency, complexity, time frame, cost. Ryan studying politics at university, and Hugo studying business law could be used to justify solutions, as too could the population of Japan and its bicycle ownership of 0.67 bicycles per person. A basic solution would comprise a proposal with limited reasoning that lacks detail or evidence to support it. A justified evaluative comment would include a proposal with rationale that links to the

Question	Answer	Mark	Guidance
	ARA		challenges of international trade. Justified evaluation with evidence-based solutions is likely to weigh up the magnitude or severity of the challenges and how to respond to these. Evaluation might weigh up the timeframe of the challenges i.e. are they one off on entry to the market or ongoing. Responses may consider the relative popularity of cycling in Japan, the size of the target market, differences in climate and the degree of westernisation. It will also include the extent to which Ryan's political understanding and Hugo's legal knowledge might reduce the challenge. Strong evaluation would also weigh up lesser challenges or alternative strategies such as either not entering the international market or targeting a different country. Candidates might conclude that Ryugo's next markets, America and Australia, might have been a better choice of first export market given they have a greater similarity of culture and language.

Q18* Evaluate potential challenges to Ryugo Ltd of selling its range of cycling clothing to businesses in Japan and suggest ways to overcome these challenges. [14]

	Knowledge & Understanding (2 marks)	**Application** (2 marks)	**Analysis** (4 marks)	**Evaluation** (6 marks)
Strong	**2 marks** Breadth of knowledge of the challenges of selling abroad. **[KU]**	**2 marks** Breadth of application to Ryugo Ltd of the challenges of selling to Japan. **[APP]**	**4 marks** Developed analysis of the impact on business operations of a range of challenges of selling abroad. **[DEV]**	**5-6 marks** A justified evaluation with evidence-based solutions is proposed, which is well-developed with a sustained line of reasoning that is clear, coherent and logically structured. The evaluation presents information that is relevant and substantiated (including explicit use of the context) that weighs up the greatest challenges for Ryugo Ltd of exporting and how these challenges can be overcome, including why an alternative is less suitable. **[EE][EE]**
Good			**3 marks** One developed **AND** one basic analysis of the impact on business operations of a range of challenges of selling abroad. **[DEV]+[AN]**	**4 marks** A justified evaluation with evidence-based solutions is proposed, with a line of reasoning which is reasonably coherent and that has some structure. The evaluation presents information that is mostly relevant and supported by some evidence (including explicit use of the context) that weighs up the challenges to Ryugo Ltd of exporting and how to overcome these challenges. **[EE]**
Reasonable	**1 mark** Limited knowledge of the challenge of selling abroad. **[KU]**	**1 mark** Application to Ryugo Ltd of the challenge of selling to Japan. **[APP]**	**2 marks** Developed analysis of the impact on business operations of challenges of selling abroad. **[DEV]** **OR** basic analysis of the impact on business operations of a range of challenges of selling abroad.	**2-3 marks** A justified evaluative comment with a solution for how to overcome the challenges of exporting is proposed. The reasoning for the proposal has limited structure and some relevance for determining how to respond to the challenges to a business of selling abroad. **[EVAL] [EVAL]**

			[AN] [AN]	
Limited			**1 mark** Basic analysis of the impact on business operations of challenges of selling abroad. **[AN]**	**1 mark** An assertion for a solution for how to overcome the challenges of exporting is proposed. The reasoning for the proposal lacks structure and the information presented has little relevance for determining how to respond to the challenges to a business of selling abroad. **[EVAL]**

18*	**Marking exemplar:** One challenge of selling to Japan is dealing with exchange rate fluctuations (KU). A strong pound would make exports dearer (AN) so the £60 price charged to Japanese retailers might seem unduly expensive in their currency (APP). Consequently sales would be lower than expected (DEV). Other challenges include language barriers (KU). Ryugo Ltd need to take account of these barriers when communicating with Japanese traders and when promoting advertising materials. Failure to do so may lead to the company offending the Japanese speaking population (AN) and may lead to damage to the brand image and an unsuccessful product launch (DEV). Ryugo Ltd also needs to take into account cultural differences that affect what type of garments are worn. Ryugo Ltd needs to adapt its designs and production methods to accommodate these requirements. This would increase costs of production . Since Ryugo Ltd is about to introduce its product range to the Japanese market it is best to time the launch for when the pound is weaker (EVAL). It will require detailed planning and forecasting but should allow the brand to gain an initial foothold in the market. Ryugo also needs to take into account differing legislation. With a population of 127m with 0.67 bicycles per person (APP), that is over 85 million bicycles on the street of Japan. There may be different rules on what cyclists must wear in Japan as opposed to the UK, which would mean Ryugo Ltd's design might not be popular in Japan. Any adjustments to design are likely to increase production costs to more than £60 per item, and reduce profitability, a problem for a company that after 3 years of operation is yet to turn a profit (EVAL). However the greatest challenge that Ryugo will face will be the language barrier because whilst most languages use the English alphabet, Japan does not. This makes communication very difficult. Add to this the potential to inadvertently say something culturally offensive on the advertising and the risks are high. Differing legislation between the UK and Japan should pose less of a problem for Ryugo Ltd than most other small businesses because Hugo studied business law at university so should have the knowledge and skills needed to deal with this challenge (EE). In addition, the UK government produces helpful guides on international legislation for new businesses which should provide adequate direction for Ryugo Ltd to overcome this particular challenge. The language barrier however still remains. Ryan and Hugo should be advised to begin exporting to a market where they can speak the language. For example, America or Australia. I advise they leave the Japanese market until they have grasped the complexities of differing legislation, export paperwork and volatile exchange rates (EE).

Assessment Objective Grids

Question	AO1 Knowledge Skills Understanding			AO2 Application of KSU			AO3 Research & Analysis	AO4 Evaluation				Quant Skill
	1a	**1b**	**1c**	**1a**	**1b**	**1c**	**n/a**	**1a**	**1b**	**1c**	**1d**	
1				1								
2	1											
3	1											
4				1								Interpret, apply and analyse information in written, graphical and numerical forms.
5				1								
6				1								Interpret, apply and analyse information in written, graphical and numerical forms.
7		1										
8					1							Interpret, apply and analyse information in written, graphical and numerical forms. Calculate, use and understand percentages and percentage changes.
9	1											
10		1										
11a	2											
11b			1			1						
12			2		1	1	4					
13		2			2		4		2		4	
14	2			2			4	2	4			Interpret, apply and analyse information in written, graphical and numerical forms. Calculate, use and understand ratios, averages and fractions
15a	1											
15b				2	1							Calculate cost, revenue, profit and break-even.
16		1	1		1	1	4					
17		1	1	2			4	2		4		
18	2			1		1	4	1	1	2	2	
Totals	10	6	5	11	6	4	24	5	7	6	6	
Targets →	21			21			24	24				

Copyright information

Data from 2023 Merlin Entertainments annual report; KPI's, and Consolidated Statement of Financial Position, https://www.merlinentertainments.biz. Reproduced with permission.

Tell us what you think

Your feedback plays an important role in how we develop, market, support and resource qualifications now and into the future. We want you and your students to enjoy and get the best out of our qualifications and resources, but to do that we need your honest opinions to tell us whether we're on the right track or not.

You can email your thoughts to support@ocr.org.uk or visit our feedback page to learn more about how you can help us improve our qualifications.

Designing and testing in collaboration with teachers and students

Helping young people develop an ethical view of the world

Equality, diversity, inclusion and belonging (EDIB) are part of everything we do

---

Contact the team at:

01223 553998

ocr.org.uk

To stay up to date with all the relevant news about our qualifications, register for email updates at ocr.org.uk/updates

Visit our Online Support Centre at support.ocr.org.uk

Sign up for Teach Cambridge to access your planning, teaching and assessment support material.

Cambridge OCR is part of Cambridge University Press & Assessment, a department of the University of Cambridge.

Cambridge OCR is a Company Limited by Guarantee and an exempt charity. Registered in England.
Registered office: The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA. Registered company number: 3484466.

We operate academic and vocational qualifications regulated by Ofqual, Qualifications Wales and CCEA as listed in their qualifications registers.

We are committed to providing a fully accessible experience across all our products, platforms, and websites. Find out more about our accessibility standards.

© Cambridge OCR 2026. All rights reserved. We retain the copyright on all our publications. However, our registered centres are permitted to copy and distribute our material for their own internal use, in line with any specific restrictions detailed in the publication. Find out more about our copyright policies.

We update our publications regularly so please check you have the most up-to-date version.

We cannot be held responsible for the persistence or accuracy of URLs for external or third-party internet websites referred to in this publication and do not guarantee that any content on such websites is, or will remain, accurate or appropriate.

When we update our specifications, you'll see a new version number and a summary of the changes. While we do our best to reflect these changes in all associated resources on Teach Cambridge, if you notice any discrepancies, please refer to the latest specification on our website and let us know.

Our resources do not represent any teaching method we expect you to use. We cannot be held responsible for any errors or omissions in our resources.